

An approach to banking and finance in the development and growth of the hotel industry in the Açores Archipelago in the 80's

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Introduction

This paper will address the development of the hotel industry in the Açores Archipelago and the financial support awarded for this development throughout the 1980s. Our research has privileged this decade for two reasons: 1) it was only in the 2nd half of the 70's that the territory gained its autonomous statute and 2) Portugal entered the European Community in 1986.

We wanted to know to what extent these two new realities were responsible for the increase of the hotel industry in the islands. Moreover, we searched data that could give us a picture of the private investment in the hotel sector in the mentioned decade.

In the 1970s, the institutional organization of the Açores Archipelago changed radically. Via Decree Law 427-D/76, of 1 June, the Açores became an Autonomous Region and from September of the same year it had its own Government, the Regional Government of the Açores, an executive body managing the politics of the region.

After the institutionalization of autonomy, tourism was initially object of modest amounts allocated to it by the Annual Budgets. In 1977 the amount allocated to this sector was 25.959 contos¹ (€ 129.535) in 1978, 35.750 contos (€ 178.392) and 103.400 contos (€515.966) in 1979².

It was from the 1980s on that the amounts earmarked for this sector and included in the Annual Budgets of the Regional Government grew: 103.700 contos (€ 0,5 M euros) in 1980 to 1.990.000 (€ 9,9 M euros) in 1990; in the same decade the Government declared that the tourism sector was “*considered as an industry that can make an important contribution to the socio-economic development of the region, due to the effects that it can have on the regional economy*” (Resolution 6/80/A, of 31 December 1980).

As will be seen, it was from this decade on that the Regional Government placed great emphasis on the support and development of the tourism sector.

This support can be seen in a wide variety of forms:

1. Budget allocations of the Regional Government, via funds related to the inclusion of Portugal within the European Community, in 1986;
2. The granting of bank loans to a variety of tourism development companies.
(One example was the loans granted to *Bensitur*, a company of Bensaúde group, a business group of Jewish origin which has been responsible for increasing the activity within the Açores tourism sector since the 1930s, with the opening of several hotel units.

1. Geographic Location

The Region of the Açores, with a total area of 2333 Km², is located in the middle of the Atlantic Ocean, between Europe and North America, 1500 kilometres from Lisbon (the capital of Portugal) and 3800 kilometres from the United States of America (Boston).

¹ 1 “conto” refers to 1.000 escudos, the former Portuguese currency, equivalent to € 4, 99 euros.

² Data from Ricardo Manuel Madruga Costa, Açores: *Western Islands. Um contributo para o estudo do turismo nos Açores*. p. 56.

This Archipelago of mainland Portugal, named after a bird of prey very similar to the kite, is composed of nine islands of volcanic origin, divided into three groups (the Central group: the islands of Terceira, Graciosa, São Jorge, Pico and Faial; the Eastern group: the islands of São Miguel and Santa Maria and the Western group with the islands of Flores and Corvo). It is a paradise for lovers of nature and active tourism, if we consider what it can offer in terms of golf, water sports, big game fishing, marine mammal watching³ and the various hotel units⁴, together with its rural tourism units and cruises⁵. Due to its geographic location, the Açores is a strategic stop-off point for several cruises and yachts that cross the Atlantic Ocean, between Europe and America.

Figure 1: Geographic Location of the Açores Archipelago



Source: Map of Europe, including Portugal and the Açores [Consulted on 9 June 2008].
www.geocities.com/casadotriangulo/Imagens/mapa1.gif

³ Namely dolphins, sperm whales and, less frequently, whales.

⁴ Hotels, Apart hotels, *Pousadas*, Quality Inns, Pensions, Guest Houses and Hostels. Categories adopted by the *Estatísticas de Turismo: Continente e Ilhas Adjacentes*. Lisbon: Instituto Nacional de Estatística, 1980-1991. (*Tourism Statistics: Mainland and Adjacent Islands*. National Institute of Statistics, 1980-1991)

⁵ *Guia Turístico dos Açores 1987/88*. 7.^a Edição. Ponta Delgada: Publiçor, 1987-88, pp. 5-9. (Tourist Guide to the Açores 1987/88. 7th Edition, pp. 5-9) [Consulted on 1 June 2008]. <http://www.Açores.gov.pt/Portal/pt/principal/>

2. Institutional Organization of the Açores

With the Portuguese Revolution of April 1974 and the subsequent rejection of the administrative structures in place, a process was begun which led to the autonomous status of this Archipelago, with the taking up of office, on 8 September 1976, of the first Government of the Autonomous Region of the Açores.

This executive body for the management of the region's policies and superior administration body are politically responsible to the Legislative Assembly, and its President is appointed by the representative of the Portuguese Republic, taking into consideration the election results⁶.

3. Development of tourism until 1990

The first references to hotel units in the Açores Archipelago date back to the nineteenth century, specifically 1842, with the opening of the first hotel on the Island of Horta; 1898, with the opening of the *Termas das Furnas* (Furnas Hot Springs) and, one year later, with the creation of the *Sociedade Propagadora de Notícias Micaelenses* (Society for the Promotion of San Miguel News), with its headquarters in Ponta Delgada and with interests in promoting tourism⁷.

In the twentieth century, namely in 1933, the *Sociedade Terra Nostra* was set up in the city of Ponta Delgada, one of the founders being Vasco Bensaúde, managing partner of *Bensaúde & Companhia, Limitada*. The Bensaúde Group, run by the Bensaúde family which was of Jewish origin, began its commercial activity in the Açores in 1820, as importers and distributors of textiles and as exporters of cereals and oranges. An excellent eye for business enabled various investments in the years that followed, in industrial and financial areas, such as *Parceria Geral de Pescarias, Limitada*, specialized in cod fishing; *Empresa Insulana de Navegação*, which provided a sea link between mainland Portugal and the Açores and Madeira; *Banco Lisboa & Açores*; the founding and management of *Fábrica de Tabaco Micaelense* (1866), *Fábrica do Açúcar*, *Fábrica do Alcool*, *Companhia de Seguros Açoreana* (1892), *Sociedade Açoreana de Transportes Aéreos (SATA)* and *Banco Micaelense* (today *Banco Comercial dos Açores*)⁸.

In the 1930s, this company opened several hotel units. The pioneering investment in tourism carried by the Bensaúde Group in the Açores throughout the first half of the twentieth century is also of particular importance. For example, the creation of *Sociedade Terra Nostra*, in 1933 by Vasco Bensaúde, the opening of the *Terra Nostra Pension* (Ponta Delgada) in 1934, the *Terra Nostra Garden Hotel* in 1935, and the construction in 1939 of the *Terra Nostra Golf Course*, the first one on the Archipelago. Later on, in the 2nd half of the century, on 12 February 1965 this Group opened the *São Pedro Hotel*, on the sea front of the city of Ponta Delgada.

In the 60s, 70s and 80s, the Archipelago saw the intervention of businesses in support of the development of tourism. By way of an example, several tourism development companies were set up, responsible for the creation of hotel units in the Archipelago, such as:

1965 – Inauguration of the São Pedro Hotel (Ponta Delgada), an initiative of the entrepreneur Vasco Bensaúde in conjunction with an architect and an engineer⁹;

1968 – The creation of *Turotel - Turismo e Hotéis dos Açores, SARL* (headquarters in Angra do Heroísmo) responsible for the Angra Hotel inaugurated in 1970;

1970 – The creation of *Açortur – Investimentos Turísticos dos Açores, SARL* (headquarters in Horta) responsible for the Faial Hotel inaugurated in 1973;

1976 – The creation of *Proturotel - Promoção Turística e Hoteleira, SARL* (headquarters in Ponta Delgada) responsible for the Avenida Hotel inaugurated in 1977;

1977 – The creation of *IATH – Indústria Açoriana Turística Hoteleira, SARL*;

1978 – The creation of *Gracitur* (headquarters in Graciosa Island) and *Siturflor – Sociedade de Investimentos Turísticos das Flores, SARL* (headquarters in Santa Cruz das Flores);

⁶ Site of the Regional Government of the Açores, <http://www.Açores.gov.pt/Portal/pt/entidades/pgra/textoimagem/Orgão.htm>

⁷ Ricardo Manuel Madruga da Costa, *Ibidem* p. 12.

⁸ Maria de Fátima Silva de Sequeira Dias, *Uma estratégia de sucesso numa economia periférica: a Casa Bensaúde e os Açores, 1800-1873*.

⁹ Joaquim Bastos Silva and; António Castro Freire, "Perspectivas sobre o Desenvolvimento Turístico na Região Autónoma dos Açores"

1981 – The creation of *Bensitur - Sociedade Açoreana de Investimentos Turísticos, Limitada*, with capital divided between *Bensaúde & Companhia, Limitada* and *J. H. Ornelas e Companhia Sucursais, Limitada*, responsible for the operation of the São Pedro Hotel and Terra Nostra Hotel and Santa Cruz Quality Inn;
1983 – The creation of *Pescatur – Pesca, Caça e Turismo, Limitada*;
1988 – The creation of *Açores 2000 – Sociedade de Desenvolvimento Turístico dos Açores, SA*, 50% of the share capital of which is owned by the Bensaúde Group, which will be mentioned below.

Tourism as an economic activity only gained importance in the Açores at the end of the twentieth century, despite the fact that, mostly due to the Archipelago's isolation and dispersed territory, it had for a long time been considered a residual activity to the subsistence economy which was very geared towards self-sufficiency and to the weak trade circuits with intermittent functioning on many of the islands¹⁰.

Fundamental activities to enhance the tourism sector began to be seen from the time of the institutionalization of the autonomy of the Region with the creation of the Regional Tourist Board, in 1977, and the transfer of power in this sector to the Region of the Açores (Decree-Law 391/78, of 14 December). These activities were, namely, investment in the necessary infrastructures for the consolidation of the tourism sector, such as air and sea access in order to facilitate movement between the islands, and an increase in the hotel offer¹¹, given that the mainstay of the Region's accommodation capacity was, above all, the Faial, Angra and Ponta Delgada hotels.

In fact, from the end of the 1970s and beginning of the 1980s, tourism was greatly boosted by flows from Portugal, Germany and the communities of Açores emigrants in the USA and Canada, the so-called ethnic tourism of the major importance. This led the Regional Government to promote a further two markets, in addition to this specialized market: tourists in the higher age bracket in Europe and North American who seek tranquillity, a warm climate and natural beauty, and markets made up of outdoor activities enthusiasts, particularly water sports¹².

According to the tourism statistics figures for the Region, the movement of guests in the hotel units between 1980 and 1990 recorded an increase of 160%, while the number of nights stayed for the same period increased by 86% (Tables 1 and 2).

In terms of the movement of guests according to nationality between 1980 and 1990, we can point out that the number of Portuguese (more 150%), German (250%), Canadian (314%), English (261%) and Other Countries - mainly from the Northern Europe - (239%) guests, were those that grew most in the period. (Table 1 and Graph 1). To sum up, although the guests resident in Portugal represented the largest part of the tourist market in the Açores (more than 75%), were the residents of other countries (specifically from Germany, Canada, Great Britain and Scandinavia) that most intensified the demand.

¹⁰ *Jornal Oficial da Região Autónoma dos Açores*, Resolution 388/79, 31 December 1979

¹¹ Isabel Barata, *A Evolução do Turismo nos Açores e a sua importância na Economia Regional*.

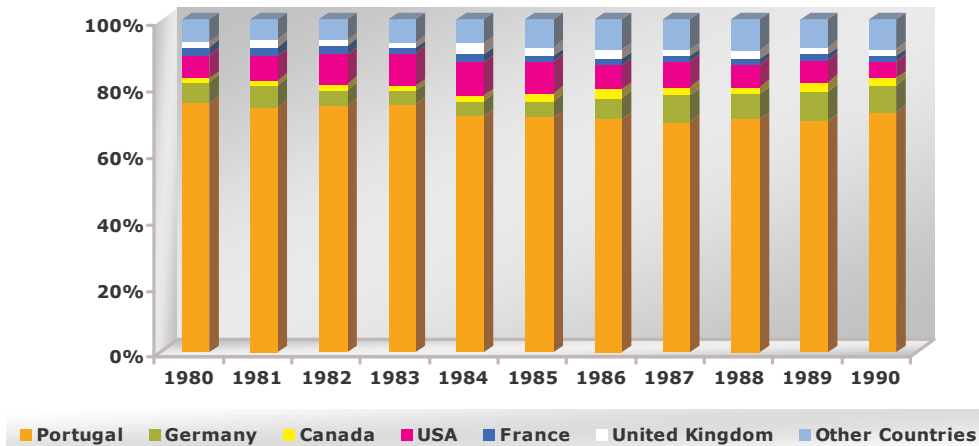
¹² Resolution 6/80/A, of 31 December 1980.

TABLE 1 - Movement of Guests in the Açores according to nationality: 1980-1990 (unit: thousands)

Year	Total	Portugal		Germany		Canada		USA		France		United Kingdom		Other Countries	
		Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
1980	48.486	36.412	75%	2.920	6%	646	1%	3.289	7%	1.246	3%	750	2%	3.223	7%
1981	49.029	36.057	74%	3.331	7%	639	1%	3.654	7%	1.332	3%	1.105	2%	2.911	6%
1982	60.954	45.218	74%	2.906	5%	1.080	2%	5.448	9%	1.590	3%	966	2%	3.746	6%
1983	67.464	50.224	74%	2.746	4%	978	1%	6.606	10%	1.141	2%	1.216	2%	4.553	7%
1984	77.119	54.755	71%	3.527	5%	1.319	2%	7.576	10%	1.884	2%	2.585	3%	5.473	7%
1985	83.686	58.954	70%	4.259	5%	2.001	2%	7.908	9%	1.515	2%	2.204	3%	6.845	8%
1986	93.888	65.628	70%	6.069	6%	2.449	3%	6.893	7%	1.697	2%	2.615	3%	8.537	9%
1987	98.812	68.485	69%	7.830	8%	2.477	3%	7.606	8%	1.626	2%	1.964	2%	8.824	9%
1988	102.217	71.592	70%	7.719	8%	2.256	2%	6.904	7%	1.631	2%	2.599	3%	9.516	9%
1989	107.894	75.160	70%	9.440	9%	3.044	3%	7.169	7%	1.842	2%	2.396	2%	8.843	8%
1990	126.239	91.005	72%	10.222	8%	2.673	2%	6.442	5%	2.253	2%	2.706	2%	10.938	9%

Source: *Estatísticas de Turismo: Continente e Ilhas Adjacentes*. Lisbon: National Institute of Statistics, 1980-1990.

Graph 1 - Movement of Guests in the Azores according to Country of Nationality: 1980-1990



Source: *Estatísticas de Turismo: Continente e Ilhas Adjacentes*. Lisbon: National Institute of Statistics, 1980-1990.

With regard to the nights stayed according to country of origin between 1980 and 1990 (Table 2), we may state that the English, Germans, Scandinavians and Canadians recorded the greatest increases (above 250%) followed by the North-Americans (94%), French (65%) and, with the lowest figure, the Portuguese (57%).

TABLE 2 - Nights stayed in the Açores according to Country of origin: 1980-1990 (unit: thousands)

Year	Total	Portugal		Germany		Canada		USA		France		United Kingdom		Other Countries	
1980	195.846	154.944	79%	11.962	6%	2.205	1%	10.185	5%	3.941	2%	2.333	1%	10.118	5%
1981	192.071	143.806	75%	13.115	7%	2.416	1%	13.329	7%	4.645	2%	3.794	2%	10.848	6%
1982	213.496	156.468	73%	13.477	6%	3.140	1%	16.596	8%	5.498	3%	3.667	2%	13.927	7%
1983	222.460	159.168	72%	12.500	6%	3.405	2%	21.087	9%	4.169	2%	5.920	3%	16.211	7%
1984	239.649	161.126	67%	15.553	6%	4.171	2%	25.244	11%	5.482	2%	9.220	4%	18.853	8%
1985	235.626	169.263	72%	18.396	8%	6.309	3%	26.942	11%	4.313	2%	7.248	3%	23.155	10%
1986	262.242	185.912	71%	24.225	9%	7.635	3%	22.773	9%	4.552	2%	7.932	3%	29.213	11%
1987	306.650	201.768	66%	27.735	9%	7.326	2%	26.711	9%	4.716	2%	7.426	2%	30.968	10%
1988	321.543	214.506	67%	28.610	9%	6.629	2%	22.252	7%	4.716	1%	8.316	3%	36.514	11%
1989	317.214	207.190	65%	35.008	11%	7.945	3%	23.329	7%	5.603	2%	7.641	2%	30.498	10%
1990	363.497	243.524	67%	40.852	11%	7.401	2%	19.793	5%	6.507	2%	10.088	3%	35.332	10%

Source: *Estatísticas de Turismo: Continente e Ilhas Adjacentes*. Lisbon: National Institute of Statistics, 1980-1990.

Although tourism is clearly a sector aimed at private initiative, at the beginning of the 1980s private investment was far from meeting needs. In 1981 the number of beds in the Açores was 1600 and in 1986 it was almost 2000, with a growth of 25%, explained by the increase in the hotel offer in Terceira and Pico islands and by the increase in guests in that period.

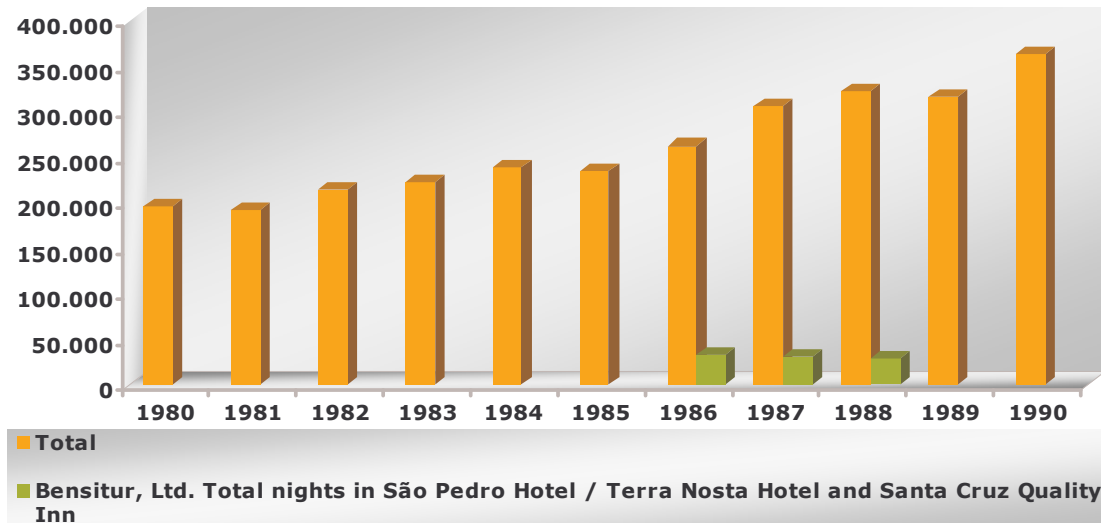
If we analyse the data we have obtained, this unfortunately only being possible for the years 1986 to 1988 (Table 3 and Graph 2), regarding the three *Bensitur* hotel units (*Bensaúde Group*), *São Pedro Hotel*, *Terra Nostra Hotel* and *Santa Cruz Quality Inn*, we find that in this period over half of the occupancy rate of these three units can be attributed to foreigners rather than Portuguese nationals. The opposite is only true in 1988 in the *Terra Nostra Hotel*, with the nights stayed by Portuguese nationals dominating the occupancy rates in comparison with stays of foreign nationals (72%)

TABLE 3 - *Bensitur, Ltd.* - Total nights stayed and occupancy rate: 1986-1988 (unit: thousands)

	SÃO PEDRO HOTEL				TERRA NOSTRA HOTEL				SANTA CRUZ QUALITY INN						
	Nights stayed	Portuguese Nationals	%	Foreigners	%	Nights stayed	Portuguese Nationals	%	Foreigners	%	Nights stayed	Portuguese Nationals	%	Foreigners	%
1986	10.375	3.631	35%	6.744	65%	13.801	3.450	25%	10.351	75%	8.873	3.549	40%	5.324	60%
1987	10.495	3.463	33%	7.032	67%	11.435	2.859	25%	8.576	75%	8.903	4.006	45%	4.897	55%
1988	10.495	3.463	33%	7.032	67%	9.928	7.148	72%	2.780	28%	8.903	4.006	45%	4.897	55%

Source: *Bensitur Annual Reports and Accounts*, 1986-1988

Graph 2 - Total Nights stayed in the Azores according to nationality and the Bensitur, Ltd. total nights in São Pedro Hotel, Terra Nostra Hotel and Santa Cruz Quality Inn: 1986-1988



Source: *Estatísticas de Turismo: Continente e Ilhas Adjacentes*. Lisbon: National Institute of Statistics, 1980-1990 and *Bensitur Annual Reports and Accounts*, 1986-1988.

In terms of the national economy, during the 1980s the Açores was the tourist region where hotels were least used in comparison with other means of accommodation, such as own home or home of family and friends. This phenomenon was related to the so-called “ethnic tourism” which, according to estimates, used hotel establishments in a proportion of less than 10%. Unlike what happened with “foreign” tourism and even with “national” tourism, the main purpose of the trip was to “visit the family”. (Resolution 7/89/A, of 5 April).

Despite this fact, between 1980 and 1990 there was a progressive and clear increase in the tourist demand, demonstrated by the increase in the number of guests and nights stayed and by the creation of new hotel units. For example, in 1980 there were 24 hotel units, whereas in 1991 there were 52, which shows an increase of 116%¹³.

4. Investment and financial participation in the tourism sector, 1980-1990

The tourism sector appears as a priority segment for development from the time of the institutionalization of the autonomy of the Region. The support for this sector between 1980 and 1990, the decade under analysis, was in the form of financial aid from the Regional Government, or via loans granted by financial institutions, such as the loan from *Banco Comercial dos Açores* to the *Bensitur* company.

From 1978, the local Government took over responsibility for all services linked to tourism¹⁴ and outlined the plan of financial aid to undertakings to be supported in this sector. According to Article 1 of Regional Decree 28/78/A, of 20 December, the “*Regional Government may provide direct financial support to activities and undertakings immediately linked to the tourism industry*”. This direct support was granted to individual or collective entities via interest-free loans for a fixed time period and could not exceed 30% of the total investment. Repayment should be concluded within a maximum period of seven years, which could be extended for a further three years following a request stating the grounds of the benefit.

¹³ In 1991 the only island of the Açores with hotel units was Corvo. See *Estatísticas de Turismo: Continente e Ilhas Adjacentes*. 1980 and 1991; *Indicadores Estatísticos de Base Regional: 1970 a 1984* (Regional Statistics Series, no. 14, p. 171; Ana Isabel Damião de Serpa Arruda Moniz, *O Turismo nos Açores: estudo sobre a oferta de alojamento turístico*

¹⁴ Decree Law 391/78, of 14 December 1978.

However, the Annual Plans¹⁵, presented for approval to the Regional Assembly, were the means by which large investments in the infrastructures necessary for the consolidation of the tourism sector were made possible. The Plan and Budget for 1980 stated that the tourism sector was important for the development of the region, since it generated effects in other economic activities and provided different and innovative contact and experience of a cultural nature, as well as impacting on the balance of payments, increasing income from taxes and absorbing surpluses from the agriculture, cattle farming and fishing sectors, and creating new jobs. In this Plan, the mechanisms for promoting and encouraging tourism were based around three areas:

- Participation of the public sector in the tourism industry, with an increase in the existing accommodation capacity and improvement of complementary structures;
- Support to the tourism industry with the development of the region's potential for tourism; and
- Publicity and support to tourism with the creation of a tourism brand in other markets which generate tourism.

Among the priority areas for the development of tourism, the Regional Government mentioned:

- Increase in the offer of tourism;
- Operation of joint ventures created for the purpose;
- Increase in professional training;
- Making inadequately dimensioned existing hotel units profitable;
- Enhancing the private sector aimed at tourism via the granting of various kinds of incentives;
- Taking advantage of the hot springs and improving the existing facilities;
- Creation of infrastructures of tourist entertainment in order to optimize the quality of the offer and attenuate the seasonality of the offer; and
- Establishment of international links with a view to guaranteeing regular tourist flows to the Açores and between the islands.

In terms of the financial measures, of importance was the “*creation of special distinct lines of credit aimed at stimulating and guiding investment in the tourism sector*” (Resolution 6/80/A, of 31 December). For example, the Regional Government, in association with private initiative, actively intervened in the consolidation and launch of important hotel infrastructures, participating in the share capital of several tourism development companies and in their management bodies. Between 1981 and 1984, this Government had shares worth 155.000 contos (€ 773.450) in the following companies: *Proturotel*; *Turotel*; *Gracitur*; *Situpico*; *Açortur* and *Siturflor*. Of these companies, those that most benefited in terms of allocations between 1981 and 1984 were: *Proturotel*; *Turotel* and *Açortur* with 34.000 contos each (€ 169.660).

TABLE 4 - Holdings of the Regional Government in the share capital of tourism companies, 1981-1984 (unit: contos)

Companies	1981	1982	1983	1984	Total
<i>Proturotel - Promoção Turística e Hoteleira, SARL</i>	5.000	9.000	10.000	10.000	34.000
<i>Turotel – Turismo e Hotéis dos Açores, SARL</i>	5.000	9.000	10.000	10.000	34.000
<i>Gracitur</i>	2.500	4.000	5.000	5.000	16.500
<i>Situpico – Soc. de Investimentos Turísticos do Pico, SARL</i>	5.000	5.000	5.000	5.000	20.000
<i>Açortur – Investimentos Turísticos dos Açores, SARL</i>	5.000	9.000	10.000	10.000	34.000
<i>Siturflor – Soc. Investimentos Turísticos das Flores, SARL</i>	2.500	4.000	5.000	5.000	16.500
Total	25.000	40.000	45.000	45.000	155.000

Source: *Jornal Oficial da Região Autónoma dos Açores*. I Series, no. 50, 31 December 1981, p. 396 (150).

Following an analysis of the Regional Government Plans for the tourism sector of the 1980s, we see that the effort made was based on increasing the accommodation capacity with a view to

¹⁵ Political and economic policies presented by the Regional Government and presented for approval to the Regional Assembly which contains an estimate of the amount of means to be used for the development of the region and the pursuit of political and administrative autonomy.

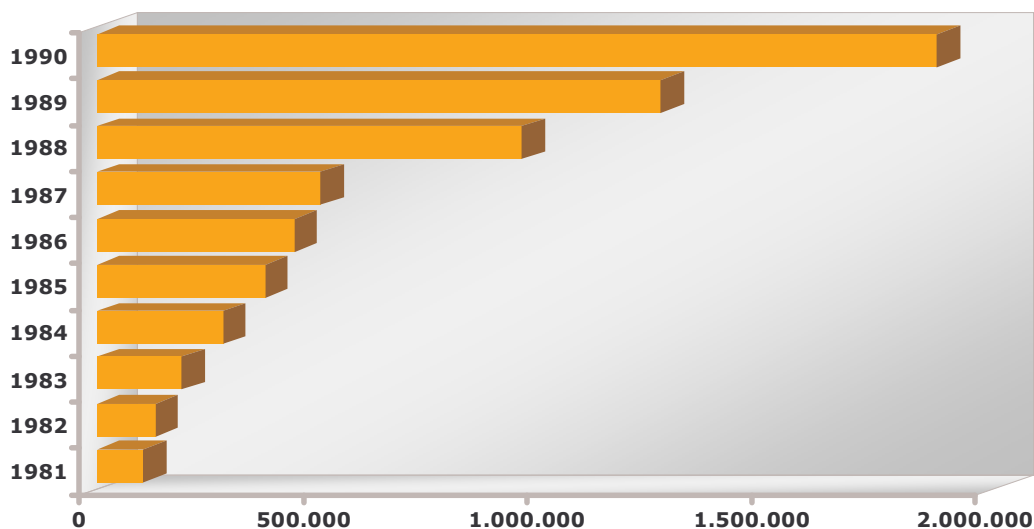
adapting to demand, support to private and public initiative and an increase in promotion and tourist entertainment. In the decade under analysis, the volume of investment by the Regional Government in the sector in question increased significantly (Table 5 and Graph 3).

TABLE 5 – Regional plans for the tourism sector: 1980-1990 (unit: contos)

Programme (Definition)	Years										
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Public sector holdings in tourism undertakings	58.500	25.000	40.000	45.000	45.000	200.000	200.000	295.000	420.000	-	-
Construction and expansion of units	-	45.000	50.000	61.000	60.000	-	-	-	-	-	-
Support to the tourism industry	30.500	40.000	65.000	120.000	200.000	180.000	240.000	575.000	710.000	1.675.000	1.690.000
Publicity, promotion and tourist entertainment	14.700	20.000	35.000	55.000	70.000	60.000	60.000	80.000	130.000	200.000	300.000
<i>Total</i>	<i>103.700</i>	<i>130.000</i>	<i>190.000</i>	<i>281.000</i>	<i>375.000</i>	<i>440.000</i>	<i>500.000</i>	<i>950.000</i>	<i>1.260.000</i>	<i>1.875.000</i>	<i>1.990.000</i>

Source: *Planos e Orçamentos Anuais do Governo Regional* published in *Jornal Oficial da Região Autónoma dos Açores*. I Series, 1980-1990 (includes Resolution 388/79, of 31 December 1979; Resolution 6/80/A, Resolution 4/81/A, of 31 December 1981; Resolution 5/83/A, of 7 November 1983; Resolution 10/84/A of 16 October 1984; Resolution 3/85/A; Resolution 2/86/A, of 9 April 1986; Resolution 13/86/A, of 31 December 1986; Resolution 7/89/A, of 4 July).

Graph 3 - Budget of the Regional Government of the Azores for the Tourism Sector: 1980-1990 (unit: contos)



Source: *Planos e Orçamentos Anuais do Governo Regional* published in *Jornal Oficial da Região Autónoma dos Açores*. I Series, 1980-1990.

Portugal's entry into the European Community from 1 January 1986 led to great alterations in the society and economy of Portugal and the Açores, expressed by means of important additional investments, both public and private, and via financial means from community funds that seek to facilitate and promote development and the progressive integration of the member States and their Regions in the patterns of life and activities of Europe.

Benefiting from community funds, provisions in the tourism sector for 1986 grew significantly from 60.000 contos (€ 299.400) in relation to the previous year (Resolution 13/86/A). If we compare the Regional Government's Budgets of 1986 and 1987 (Table 5), we see that the amount attributed to the tourism sector grew 90% in these two years from 500.000 contos (€ 2,5 M) in 1986 to 950.000 contos (€ 4,7 M) in 1987.

In 1990, European Year of Tourism, tourism in the Açores benefited from a financial instrument known as the National Programme of Community Interest presented by the Autonomous Region of the Açores, with the aim of increasing the offer of tourism, as well as its development in terms of quality, these being potential elements for increasing the level of demand in tourism (Resolution 4/90/A).

However, in addition to financing from the Regional Government and from funds resulting from Portugal's entry into the European Community, in order to enhance the tourism sector, many construction, refurbishment and hotel operating companies applied for credit from the national and regional banks to satisfy their development commitments in this sector. One such example is the company *Bensitur – Sociedade Açoriana de Investimentos Turísticos, Ltd.*, established in 1981, with capital of 1.1 million euros, shared between *Bensaúde & Companhia, Ltd. a* (headquarters in Ponta Delgada) and *J. H. Ornelas & Companhia Sucursais, Ltd.*

In 1983, *Bensitur* alluded to several difficulties with the Regional Government regarding support for private initiative, so that, without a clear economic policy, it had to apply to banking credit to satisfy its commitments in favour of the development and enhancement of tourism. In that year, the company took out a loan for the sum of 25.600 contos (€ 127.700) from *Banco Comercial dos Açores*, one of the main banks with its headquarters in the region which supported the development of the regional economy in the 1980s (*Bensitur Annual Report and Accounts*, 1983).

By way of example, according to data from the *Banco de Portugal*, the distribution of credit granted by the *Banco Comercial dos Açores* to the tertiary sector of Trade, Restaurants and Hotels, increased from the 1st semester of 1987 to the 1st semester of 1988 from 23.6% to 25.2% (Table 6).

TABLE 6 - Distribution of credit to the regional economy by *Banco Comercial dos Açores*:
1st semester, 1987-1988 (unit: contos)

	1st Semester 1987		1st Semester 1988	
		%		%
Trade, Restaurants and Hotels	17.345 contos (€86.500)	23.6	19.461 contos (€97.110)	25.2

Source: Semestral Bulletin of *Banco de Portugal* (Açores Regional Division); *Banco Comercial dos Açores*, in *Jornal Oficial da Região Autónoma dos Açores*. III Series, no. 22, 30 November 1989, p.628-641, p. 630.

In 1986 and given the evolution of the provision of services in the three hotel units (São Pedro Hotel, Terra Nostra Hotel and Santa Cruz Quality Inn – Horta), *Bensitur* presented a proposal to the Regional Government with the main aim of increasing the capacity of these units and even building a guest house in Horta in 1987, dependant on funds granted by the Government. In 1989, the company invested in improving the infrastructures

of the *São Pedro Hotel* with public support of the Regional Government which granted it an interest-free loan of 600.000 contos (€ 3 M) to be repaid over 10 years.

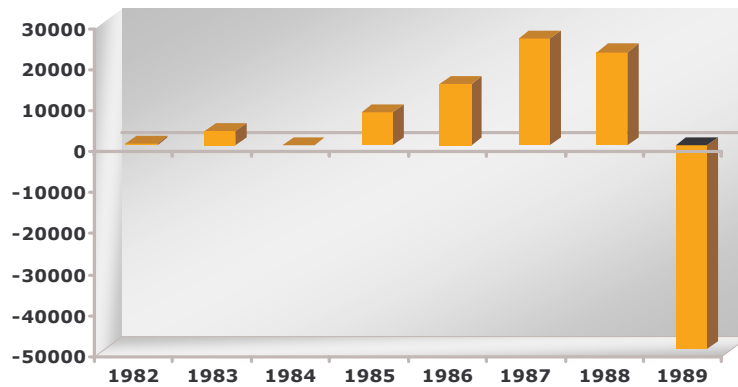
If we study the annual Reports and Accounts of *Bensitur*, we can confirm that if in 1982 the company's profits were almost residual, in 1987 and 1988 the profits grew up intensively; in 1989, as a result of amortizations and depreciations, there was a loss of 49.459 contos (€ 250.000)

TABLE 7 - Profits and Losses of Bensitur: 1982-1989 (unit: contos)

Years	Profits / Losses
1982	576
1983	3.749
1984	224
1985	8.270
1986	14.930
1987	26.029
1988	22.889
1989	- 49.459

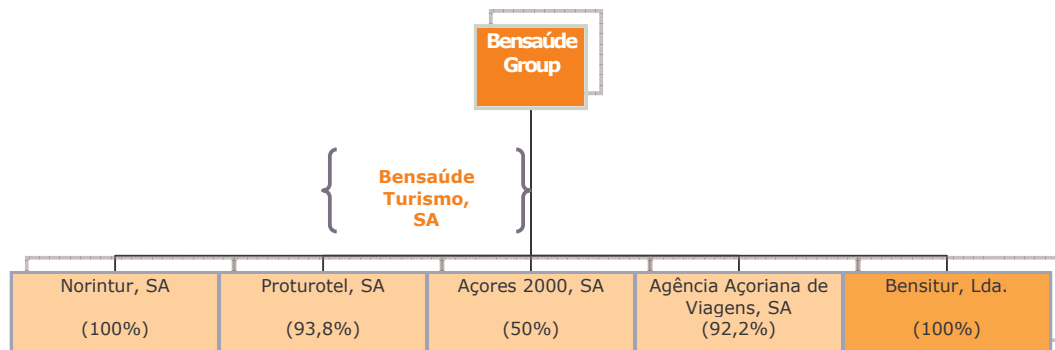
Source: *Bensitur Annual Reports and Accounts, 1982-1989.*

Graph 4 - Accounting Profits and Losses of Bensitur: 1982-1989 (unit: contos)



Source: *Bensitur Annual Reports and Accounts, 1982-1989.*

Currently the Bensaúde Group, specifically *Bensaúde Turismo, SA* holds 100% of the capital of the tourism investment companies Norintur and Bensitur; 93.8% of Proturotel and 50% of Açores 2000.



As has been shown, the tourism investments of this business group is responsible for the creation of companies that have been supported by the Regional Government (See Table 4, as is the case of Proturotel), and that have taken out loans with financial institutions in order to build, adapt and expand hotel units and improve the accommodation capacity.

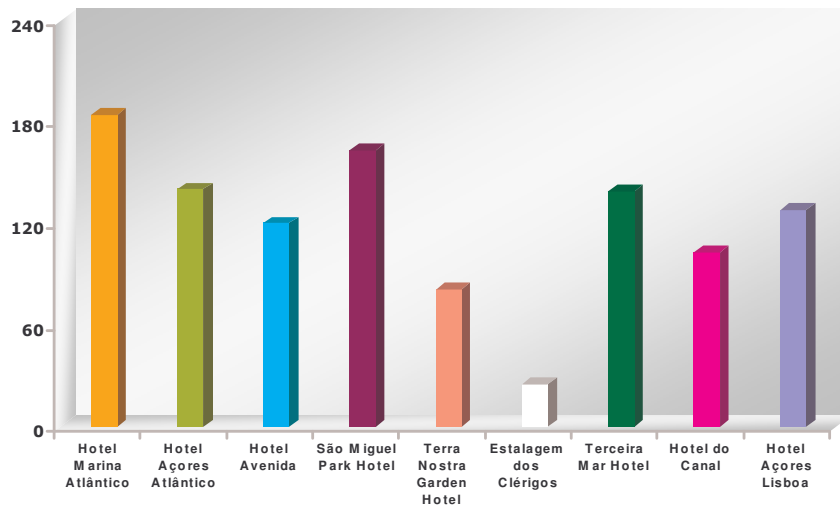
Bensaúde Turismo currently has 9 hotel units, 8 in the Açores (6 on the Island of São Miguel, 1 on Terceira and 1 on Faial) and 1 in Lisbon, with a combined total of 1083 quartos, and is responsible for 25% of the accommodation offer on the Archipelago¹⁶ (Table 8 and Graph 5).

TABLE 8 - Bensaúde Tourism Group hotel units: 2008

Hotel	Inauguration Date	Stars	No. of Rooms	Location (Island of the Açores)
<i>Hotel Marina Atlântico</i>	2004	4	184	São Miguel
<i>Hotel Açores Atlântico</i>	1990	4	140	
<i>Hotel Avenida</i>	1977	4	120	
<i>São Miguel Park Hotel</i>	2001	3	163	
<i>Terra Nostra Garden Hotel</i>	1935	3	81	
<i>Estalagem dos Clérigos</i>	2002	4	25	
<i>Terceira Mar Hotel</i>	2003	4	139	Terceira
<i>Hotel do Canal</i>	2003	4	103	Faial
<i>Hotel Açores Lisboa</i>	2005	4	128	Lisbon
Total		-	1083	-

Source: Bensaúde Group [Consulted on 9 June 2008]. Available at <http://www.bensaude.pt/default.aspx>
Information on the inauguration dates of the hotels provided Vera Viveiros of the Bensaúde Group.

Graph 5 - Number of Rooms in the Hotel Units of Bensaude Turismo (Bensaude Group): 2008



Source: Bensaude Group [Consulted on 9 June 2008]. Available at [www: <URL: http://www.bensaude.pt/default.aspx](http://www.bensaude.pt/default.aspx). Information on the inauguration dates of the hotels provided Vera Viveiros of the Bensaude Group.

¹⁶ Bensaúde Group [Consulted on 9 June 2008]. <http://www.grupobensaude.com/>

5. Conclusion

The support awarded to the tourism development companies and the community funds following Portugal's entry into the EEC in 1986, enabled investment in this sector, although this was not always sufficient for the pursuit of the objectives set out. As a result, some companies in the tourism sector in the Açores took out credit within the national and regional banks, this being the case of *Bensitur*.

Currently, financial incentives to the tourism sector are totally evident. By way of example, in 2007 *Banco Espírito Santo dos Açores* and the *Portuguese Institute of Tourism*, in conjunction with the *Ponta Delgada Chamber of Commerce and Industry*, signed a banking protocol to support investment projects to be developed in this sector. The financial incentives provided for in this protocol are aimed at supporting the interest and are cumulative with financial incentives of Regional scope¹⁷.

To sum up, following the analysis carried out, we conclude that tourism as an economic activity assumed importance in the Açores Region only at the end of the twentieth century, specifically during the 1980s.

However, it was with the beginning of the demand for alternative mass tourism destinations of the 90s that the Açores began to be able to position itself as an offer of tourism. In the words of the current Director of Tourism of the Açores Government, the belief in tourism as a development factor for the Region is a recent phenomenon, in part made possible by the emphasis that the Regional Governments has placed on the increase in the hotel offer and being based on various policies of financial incentive created specifically for tourism¹⁸.

¹⁷ "Banco Espírito Santo esclarece apoios ao sector do turismo" in *Diário dos Açores* 17 October 2007, p. 9.

¹⁸ Isabel Barata, *A Evolução do Turismo nos Açores e a sua importância na Economia Regional*

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